Surviving in the Jewelery Industry

An Honors Thesis (HONRS 499)

by

Laura E. Szymczak

Thesis Advisor

Dr. Grant Wells

Ball State University

Muncie, Indiana

April 24, 1992

Graduation: May 2, 1992

PURPOSE

The purpose of this thesis is to identify the current status of the jewelry industry, with an emphasis on diamonds. An analysis of the conditions for failure and success will be the basis for evaluating strategies for survival in this turbulent industry. These strategies will be directed toward managers, since good and strong management is necessary if a company is to survive throughout rough times. Other areas of focus will include a marketing and financial perspective on strategies for management to consider in order to have a successful survival strategy.

TABLE OF CONTENTS

I. PROBLEM DEFINITION

The jewelry industry is in an uproar. Many major chains are going through intense reconstruction, and many are doing so under the protection of Chapter 11 Bankruptcy. The industry is in the midst of a recession and United States demand is sluggish. In the February 1, 1992 issue of National Jeweler, the Jewelers Board of Trade announced that 316 businesses in the industry went under in 1991, and that 184 of these were in the Northeast and Southeast parts of the country (Beres, 1992 February 1).

Retail jewelers are facing many problems as a result of the current economic status and the changing structure of the industry. Sales are decreasing, profit margins are tightening and customer values and attitudes are changing. The growth of the United States jewelry market has stabilized and competition is increasing.

Those companies remaining in the industry will have to focus on a strategy of survival. All areas of the business will be affected and each must rely upon their critical success factors to survive. The critical success factors in the jewelry industry include creating a desirable image, raising profit margins, and maintaining market niches.

For each functional area of the company, a strategy will have to be created for survival. Craig S. Rice (1990) outlines generic strategies of survival for six functional areas. In production, the system will have to be studied, copied and improved. The objective of sales will be to protect the market niches. Finance will have to concentrate on controlling and cutting costs, while management must control costs and increase sales. Technicians will have to buy available innovations, and the staff will have to be at its most efficient.

This paper will discuss the current status of the jewelry industry and the failure and success of businesses. It will also evaluate three functional areas of the retail jewelry store: management, marketing and finance. Strategies and ideas for survival in the 1990's will be the focus.

II. RESEARCH AND METHODOLOGY

A. An Overview

The jewelry industry in general, and the diamond industry specifically, are unique. Most jewelers rely upon diamond sales for the majority of their revenue, and consider these sales to be their top priority. The diamond market is constructed differently from most markets, and one reason why this particular industry is interesting to be involved in.

The mining and marketing of diamonds is controlled by two companies which create one of the world's largest and strongest cartels. The mining of gold and diamonds is controlled by the Anglo-American Corp. This company, which is at the center of the world's largest mining group located in South Africa, is also known as "the mighty gold and minerals holding company" (Fuhrman, 1991 September 16, p.131). The marketing of the diamond rough (or the uncut, unpolished stones that come from the mines) is controlled by the sister company of the Anglo-American Corp., De Beers. De Beers controls over 90% of the diamond market for rough stones and markets them through their Central Selling Organisation located in London, England. De Beers itself is also located in South Africa. Together these two companies control the supply and demand for diamonds all over the world.

The marketing and sale of diamonds is unique only to this market. Stephanie Gaunt, manager of Harry Gaunt Jewelers in Downtown Muncie, IN, describes the process involved in bringing the diamonds to the retail level.

Once De Beers sends diamond rough to the C.S.O. for its sale, the cutters of these stones are gathered. There are approximately 120 cutters that are invited into the De Beers "family of cutters" and each are given a box of diamond rough. These cutters do not have the opportunity to choose which rough stones they want, they simply take what they are given and pay their $1 to 2 million. From this point on, it is the cutter's responsibility to regain their investment.

The cutting of the diamond rough is a very important element of the selling process. It is the cutter's responsibility to cut the diamonds in order to use as much of the rough and cut the best quality stones possible. Most often, these are the round brilliant cuts because they are the easiest to cut and also because much of the rough is wasted when the cutter cuts the fancy shapes, such as a marquise, oval or pear. The smaller stones tend to be of better clarity because the cutter has the ability to cut the stones around the inclusions of the rough. Therefore, the cutter must cut so as to gain the highest possible quality from each piece of rough.

The round stones are not only the easiest to cut, but also the most brilliant. In the 1919, mathematicians discovered that precision in cutting the round stones yielded the maximum brilliance possible. The round stones are cut with fifty-eight facets, with each facet a certain percentage of the entire diamond. As a result, the round brilliant cut diamonds contain the greatest optimum visual properties (Kassoy 1977).

After the diamonds are cut, the cutter then sells the diamonds to the retail level. Those retailers that purchase their diamonds from one of the 120 cutters that associate with De Beers receive the best in the industry.

At the retail level, the jeweler does have the opportunity to choose those stones he/she wishes to sell. The jeweler bases his/her decision for buying on the same principles that the consumer should. These principles are referred to in the industry as "the four C's": cut, clarity, color and carat weight.

As previously discussed, the cut not only refers to the shape of the stone, but also to the excellence of the cut itself. The measurements and the location of any inclusions are all important factors in determining the quality of the cut of the stone.

One of the most important aspects when buying a diamond is the clarity of the stone (Kassoy 1977). The GIA (Gemological Institute of America) developed standards upon which all diamonds are graded. In Appendix A, the greatest clarity classification is the flawless diamond. These are diamonds in which, under ten power magnification, no internal or external inclusions are seen. The scale then decreases in levels of clarity to the imperfect stone. Imperfect stones are ones in which the inclusions are visible to the naked eye. These particular stones lack luster and brilliance, and are often times very cloudy.

Another important aspect in selecting a diamond is the color of the stone. This refers to overall body color, not the spectrum of colors the eye receives as the light is refracted by the body of the diamond. The colorless diamonds are the best. As Appendix A shows, these are in the D-E-F range. As the scale continues, the "yellowness" of the diamond is graded. The more yellow the diamond contains, the less expensive and rare it is. This is true until the fancy yellow grade is reached, and then the rarity is more prevalent and this is reflected in the price. These fancy yellow diamonds are referred to as canary diamonds.

Carat weight should be the least important factor to consider. A carat is the defined unit of weight for a diamond, and each carat is divided into smaller units called points. There are one hundred points in every carat, therefore twenty-five points would be a quarter carat, fifty points would be a half-carat, etc.

Clarity and color should really be the determining factors when purchasing a diamond. These are the characteristics that give beauty to the diamond, and that place the monetary value on the stone. According to Stephanie Gaunt, out of every 100 tons of ore, 10,000 carats of diamonds are mined. One in 5000 of these diamonds will be flawless and one in 5000 of these diamonds will be D in color. Also, 80% of the diamonds that are mined only qualify for industrial use. These stones are so included that they can not even be considered an Imperfect stone. Therefore, flawless diamonds and colorless diamonds are very rare and very special.

A comparison of carat weight, color and clarity to overall diamond sales from 1976 through 1990 is found in Appendix B. In the past few years, carat weight has played an increasingly important role in the selection of diamonds, especially since 1984. The weight changed from around a third of a carat to well over a half carat.

In order for consumers to purchase more carat weight, other factors decreased in importance. Color, although the median remained fairly consistent within the H-range, became less important to consumers. The importance of the clarity of the stone also decreased. Between 1976 and 1990, the median fell from VS1 (very slightly included to the first degree) to SI1 (slightly included to the first degree).

The changes that have occurred within the market could have many reasons. The American view that "bigger is better" could be one reason for the emphasis on size rather than color or clarity. Another could be that the supply of these flawless and near colorless stones is so restricted that the cost is too expensive for the average consumer. Whatever the reason, more emphasis has been placed on the size of the stone in the past few years.

B. Current Economic Conditions

The economy is weak. The dollar is down against other currencies, interest rates are low and unemployment rates are high. Appendix C shows regional sales and the economic factors which affect them. These statistics are based on May 1991 figures, however, but they are a good indicator of the market conditions which have led to the failure of many companies. Especially interesting to note is the increase in the consumer price index and the unemployment rate in May of 1991 compared to 1990. Also, the start-up of new jewelry firms is negative in comparison to 1990 and failures are increasing in every region of the country.

The statistics found in Appendix C are consistent with those found in Appendix D, which shows the personal consumption of jewelry from 1980 through 1990 in millions of 1982 dollars (with 1982 being the base year). Jewelry is compared to all durable goods, and since jewelry is considered a luxury item, a fall in the consumption of this good would be evident before more stable items. The consumption of jewelry did fall in 1987, and the consumption of all durables fell in 1990. When viewing this data, recognition of the fall in the stock market in 1987 is also essential. Consumer confidence fell dramatically during this time.

In the general economic situation, other statistics also indicate consistency with these observations. A listing of the Personal Consumption Expenditures in total reflects a decrease in the fourth quarter of 1990, as noted in Appendix E, and the Gross National Product also plunges in the fourth quarter of 1990 for the first time since 1986. Both of these listings are adjusted for inflation by using the value of the 1982 dollar as the base.

All of these statistics indicate that a recession started in 1990. With all of these indicators pointing in the same direction, it is not a surprise that many jewelry stores have failed in attempting to counter the increasing economic pressure.

C. Current Industry Conditions

The jewelry industry is in the the midst of major changes. The consolidation trend of the 1980's is over, and the focus is on the independent retailer. Many of the mega-chains have failed, and this has created a "...'ripple effect'...[where] Everyone in the industry in some way is affected" (Beres, 1992 February 1, p.30). This effect has undoubtedly caused fear and anxiety for all jewelers about the future.

With the market in upheaval, De Beers is also feeling the effects of the current industry and economic situation. Reports indicate that De Beers profits fell 14% in the first part of 1991 from the same period a year earlier, and reasons cited include the Persian Gulf War and the weak market conditions (Sielaff, 1991 October 1). Later reports show that their sales for the second half were up 9% over 1990, but De Beers claims that this is no indication of better conditions for 1992 (Sielaff, 1992 February 1).

Since De Beers controls so much of the market and is the strongest cartel in any commodity in the world, they must maintain price stability. The market is currently unable to withstand any type of price increases. The last increase by De Beers in the price of their rough was in March of 1990 with a 5% average increase (Sielaff, 1992 February 1). As noted in Appendix F, De Beers has historically maintained no set method for price increases except to control supply and demand to maintain stability in the price of diamonds.

With the economy so sluggish, De Beers must carefully maintain its strategy of "..single-channel marketing..." (Diamond Registry Bulletin, 1991 May 31, p.1) to ensure stable prices, and the control over their supply sources is necessary to achieve this objective. De Beers has reached agreements with four major diamond producers. These include agreements with Russia, Angola, Botswana and Australia for the marketing of their diamonds through the C.S.O. (Shor, 1991 October). As shown in the chart in Appendix G, these are some of the major diamond producers in the world. Control over these markets will greatly enhance the future of De Beers.

Since the majority of the jewelry industry is affected by De Beers, and De Beers controls the Central Selling Organisation, the C.S.O. has also reported problems. The sale of rough diamonds fell 6% in 1991 ("CSO Rough", 1992 February). As noted in Appendix H, the sales were flat for the first part of 1991 and declined during the second half of the year. The C.S.O. feels that "once a better consumer environment takes shape" ("CSO Rough", 1992 February, p.43)), sales will increase.

The economic crunch is really hurting the retail jewelers much more than any other part of the industry. Many of the mega-chain retailers have filed Chapter 11 Bankruptcy or are in serious financial trouble as the industry is shifting away from them and toward the independent retailers. These troubled companies include Zale Corp., Barry's Jewelers, Larry Robinson Group, C&H Rauch, Ratner's Group plc, and many others.

Zale Corp. is the most publicized failure in the industry, most likely because it is the nation's largest fine jewelry retailer with 1,938 stores around the country. The 1991 Annual Report of Zale's Corp. reveals that the company is actually a subsidiary of People's Jewellers in Toronto and their partner Swarovski International of Switzerland. This partnership acquired Zale Corp. in early 1987 by acquiring the company at approximately $40.00/share. In 1989, the newly reorganized Zale Corp. acquired Gordon's

Jewelers, the nation's second largest retailer.

On December 2, 1991, the company failed to make a $52 million interest payment on loans and junk bonds. This was postponed to gauge Christmas sales, which fell 11% from the previous year (Beres, 1992 February 1). In response, four involuntary bankruptcy petitions were filed against Zale Corp.

The company attempted to reorganize themselves without Chapter 11 protection by closing 400 stores, reorganizing into four divisions, releasing 2500 employees and selling inventory to liquefy their position (Beres, 1992 January 16). On January 23, 1992, however, Zale Corp. filed Chapter 11.

Other major chains are also having problems. Barry's Jewelers, the nation's third largest retailer, missed a $3.2 million interest payment due to bondholders on May 1, 1991. Under Chapter 11 protection, Barry's will close 70 of its 214 stores and restructure themselves (Rubin, 1991 July 16).

Larry Robinson Group, a two-chain retailer based in Cleveland, OH, is also in financial trouble. The two chains now under Chapter 11 are the four-unit Antwerp Diamond Center and the Royal Jewelry Operations (Beres, 1992 February 1).

Ratners Group plc, a British firm, is in the midst of turmoil. Their chairman, Gerald Ratner, has stepped down from his position and the company is in crisis due to the large amount of debt they accumulated when they acquired Kay Jewelers. Sterling, Inc. is their other major U.S. chain.

Ratner is the world's largest jewelry retailer with over 2,000 stores worldwide.

Other filings for Chapter 11 by jewelry store chains include the Glennpeter chain, which is a subsidiary of GPB Inc., and VanScoy Jewelers, who operate the Diamond Mine Stores. The president of the Jewelers Board of Trade, Nathaniel Earle, stated that the reason for so many failures in the industry is that "When the economy was doing well, a lot of companies amassed huge amounts of debt because projections were high, with no end in sight..." (Beres, 1992 February 1, p.28). Now that the economy is weak, the debt is too much for these corporations to handle. Larry Robinson said that "... I have never seen a more difficult period in the retail business in general, and the jewelry business in particular..." (Beres, 1992 January 16, p.159).

With all of the failures that are occurring in the industry, many companies are, however, surviving. Tiffany & Co. is one company that has begun to turn itself around in the last few years.

The New York-based jewelry store initially sold goods such as umbrellas, pottery and Chinese goods. Eventually, they added silver, gold and diamonds to their product lines. Today, Tiffany is much more than a retail store, for it is considered part museum and showplace.

Since 1979, however, Tiffany has lost prestige, and this occurred during the time that the company was owned by Avon Products (1979-1984). Sales fell dramatically due to Avon's change in the product line ($14 stemware versus

$200,000 gemstones), the sale of their loose diamond inventory, lack of glamour and a flat advertising budget (F. Rice, 1989 November 20).

In 1984, William R. Chaney led the management group that bought Tiffany & Co. from Avon in a $136 million leveraged buyout (Trachtenberg, 1989 February 6). He took the company public in 1987, and is now the chairman and chief executive officer. Donald Trump, the millionaire playboy, attempted to purchase $15 million worth of Tiffany & Co.'s stock, but Chaney protected the company's interests by selling a 10% stake in Tiffany to Mitsukoshi, Ltd., an upscale Japanese firm (Roman, 1989 October 9). This action made it impossible for Trump to purchase those shares.

Since Tiffany has gone public, marketing and advertising has been refocused to include the affluent customer, exclusivity, the international consumer, the highly paid working woman and special causes and events (F. Rice, 1989 November 20). Tiffany is poised for a 20% growth rate for the next five years.

Recent statistics released by National Jeweler indicate that 1991 sales were up 11% from the previous year and up 6% in the United States alone (Sielaff, 1991 October 1). The company has been effectively reaching the affluent by targeting tourism and resort spots and is reaching the "...corporate customer through [their] Selection's Catalog..." (Sielaff, 1991 October 1, p.4). Despite the poor economic conditions and changes in the industry, Tiffany & Co. is doing well.

The jewelry industry is definitely in a difficult situation. Restructuring, refinancing and strategies to deal with these changes will be the focus of the survival strategy of the 1990's.

D. Conditions for Failure

The decade of the 1990's will assess failure and success in the jewelry industry. Many studies about the reasons companies fail and succeed have been done, and many causes have been documented. Two studies will be discussed on each topic: failure and success. The only conclusion that is important, however, is the need for a company to evaluate its environment and develop strategies to counter the problems and changes.

Robert D. Boyle and Harsha B. Desai (1991 July) published a study of companies in trouble. In the study, they indicated factors which contribute toward the failure of small firms. These factors are categorized into four areas: 1) internal, which is under the control of the firm, 2) external, which is out of the the control of the firm, 3) administrative, which includes scheduling procedures, managing employees and analyzing reports, and 4) strategic, which refers to long-term tasks such as planning.

These four areas are then used to identify problem areas for the firm and a two by two matrix is constructed to determine general strategies to increase the performance of the company. Some of the common problems which fall under each of these individual categories are:

1) *Internal Administrative:* failure to carefully analyze statements, inadequate capital requirements, improper management of accounts receivable, declining profit margins, and large increases in debt.

2) *Internal Strategic:* lack of product or market knowledge, declining market shares, excessive optimism and lack of comprehensive strategic planning.

3) *External Administrative:* the injury of someone from the company's product, or illness/injury of the principal manager.

4) *External Strategic:* declining market share, sudden drop in the numbers of inquiries, and a national, regional or local economic downturn.

The jewelry industry appears to have problem areas in all four of these categories. Another study, however, will be discussed before these are considered further.

In their book Effective Small Business Management, Richard M. Hodgetts and Donald F. Kuratko (1989) introduce a study done by Dun and Bradstreet. For the retail industry, Dun and Bradstreet released the findings of one of their 1987 studies with a report on the greatest causes of business failure. In percentages, these statistics do not equal 100% because of overlapping causes, but the causes and their respective percentages are:

1) *Neglect (2.2%):* this includes bad habits, business conflicts, lack of interest

2) *Disaster Causes (0.8%):* this includes Acts of God, burglary, employee fraud

3) *Fraud Causes (0.4%):* this includes embezzlement, false agreements

4) *Economic Factors (68.3%):* this includes high

interest rates and loss of the market.

5) *Experience Causes (22.4%):* this includes incompetence and lack of experience

6) *Sales Causes (14.5%):* this includes being competitively weak, inventory difficulties, poor location

7) *Expense Causes (7.3%):* this includes burdensome debt, heavy operating expense

8) *Customer Causes (1.1%):* this includes receivables difficulties, too few customers

9) *Asset Causes (0.6%):* this includes excessive fixed assets, overexpansion

10) *Capital Causes (1.1%):* this includes burdensome contracts and excessive withdrawals.

These are the basic reasons that Dun and Bradstreet cite as the causes of failure in businesses with emphasis on the retail stores. Many similarities exist between the two studies as to the causes for failure. Management and planning problems appear to be the most common sources for failure. In an industry where 93 out 10,000 jewelry stores fail, management needs to be aware of all of the aspects of the company (Hodgetts and Kuratko, 1989).

E. Conditions for Success

In the strategy of survival, many companies may fail and some will succeed. Those who are successful will have to work hard in order to achieve stability within the industry. Paul Resnick (1988) introduces ten conditions for survival and success in his book The Small Business Bible.

One of the first conditions for success is to be objective. Objectivity must be maintained in the "assessment of the strengths and weaknesses of the company, and your business and management skills" (Resnick, 1988, p.3). This coincides with the second condition of keeping the plan simple and focused.

The third condition is to provide excellent and distinctive goods and services that meet the wants and needs of a select group of consumers. These consumers are the basis for the fourth condition, which is determining how to reach and sell to the customers.

The fifth condition of success is to build, manage and motivate an excellent staff. These should be people that are reliable and trustworthy to help the manager do what he or she can not do alone.

Conditions six and seven are related to understanding the financial aspect of the company. The sixth condition is to keep accounting records and controls that must be used to understand and manage a business, and the seventh condition is to never run out of cash.

The last three conditions include avoiding the pitfalls of rapid growth, such as carrying too much debt, diversifying into the wrong areas, etc., understanding the business inside and out, and planning ahead.

These generic conditions for success and survival lead to the strategies which Boyle and Desai have created in their two by two matrix. The strategies are located in

Appendix I and can be specified to any company.

For internal administrative problems, success will depend upon implementing strategies to improve policies, procedures, rules and systems. An analysis of these areas is necessary to determine which factors need attention. In doing the evaluation, it is necessary to remain objective. Solving internal strategic problems will involve "...increased analysis, better planning and positioning of the firm's product...through market research..." (Boyle and Desai, 1991 July, p.39).

In the external environment, administrative problems can be countered with risk management. The most common response for this is "...purchasing liability insurance..." (Boyle and Desai, 1991 July, p.39). External strategic problems involve the market. The strategies for survival include product development, diversification, niching, market development and market penetration, which involves "...niching in a market unexplored by the competition, especially one which the firm is uniquely qualified to occupy and defend..." (Boyle and Desai, 1991 July, p.39).

These are strategies necessary for survival and success. In the next sections, most of these areas will be addressed specifically to the survival of firms in the retail jewelry industry.

III. EVALUATION

A. Management

In every business in every industry, it appears that good management is the factor which determines survival and success, and bad management determines failure. A good manager must be concerned with and knowledgeable about all aspects of the business. These include recognizing changing trends, not only within the industry, but also in terms of consumer behavior and demographics; the ability to understand the financial aspect of the company; maintaining employee satisfaction; developing strategies to increase sales and maintain market niches; and creating innovative ideas and product mixes to counter the competition, improve the image of the company, and meet the needs of the consumer.

1. Consumer and Demographic Trends

Following consumer behavior and demographic trends is one of the aspects of being a manager in any industry that is crucial to success. This is important because trends can help the manager foresee changes and then adjust the company's strategy to meet those changes. The average consumer in the jewelry industry has changed within the last few years and is continuing to change.

Compared to thirty years ago, the median age of the United States population is higher than it has ever been. As seen in Appendix J, the median age is currently between thirty-two and thirty-three years of age. The increasing age of the average American consumer places a great deal of pressure on childbearing. Therefore less emphasis is being placed on "...money to spend on luxuries..." (Buchanan and

Yochim, 1991 October, p.43).

As a result, consumer attitudes are changing. Americans are changing their views on spending, placing more emphasis on "...family-oriented products like vacation homes (rather) than on jewelry..." (Buchanan and Yochim, 1991 October, p.43). With this emphasis on the family, jewelers will have to create, market and evaluate products and images that will reflect these attitudes.

The marketplace is also becoming more global. This is occurring not only because of increased competition, but also because there is a cultural mix of customers who are seeking high quality and service. As the world becomes more global, the population is more diverse and customers will come from many different ethnic and cultural backgrounds. Managers will have to be more conscious and empathetic towards different values, ideas and beliefs.

Time is a scarcity for the consumer of the 1990's. Most families are two-income or one-parent families, leaving little time for the consumer to spend by his/herself. Whichever the reason, time is considered more of a scarcity today than money (Buchanan and Yochim, 1991 October).

Overall, with the weak market conditions and changing demographics within the United States, consumers are more cautious of where their money is being spent. Managers must recognize these trends and prepare for them, otherwise they will not succeed in maintaining a successful company.

2. Understanding Financial Statements

Understanding the financial aspect of the company is also of vital importance. The ability to read and evaluate balance sheets, income statements and sales projections is necessary because these will indicate the status of the company and any problem areas which exist. Knowledge in this area will help the manager understand what changes in revenue, costs, assets or liabilities will have to be made in order to achieve a maximum profit level.

Important financial aspects which the manager must be made aware include sales, costs, market share and profits. Frank Zimmerman, author of The Turnaround Experience, cites six areas which will indicate whether a company is in trouble, and which a manager should understand:

1. Profits are down, declining from the previous four year average. The downward spiral has extended for a period of at least one year.

2. Competitors profitability surpasses your own. Your profits are considerably lower than the industry average and some competitors are clearly able to achieve higher profit margins selling similar products.

3. Real revenue (adjusted for inflation) has declined.

4. Market share is shrinking and you have lost key distributors, or prices have slipped.

5. Investors, board members or managers have lost faith. They have expressed concerns regarding the condition of the company and its policies.

6. Cash flow is poor. you do not have cash on hand to pay the bills or meet current obligations (cited in

Wallace, 1991 October, p.36).

If management recognizes these fundamental points within financial statements, and any problems within their company before the spiral rapidly goes downward, then the company can change its strategies to counter them. Analyzing basic financial data is necessary for any manager to understand because it is so crucial to the success of a company. A complete analysis of the financial statements of Zale Corp. for two years will be in a later section of this paper.

3. Employee Satisfaction

Employee satisfaction is also a responsibility of management, and one that will enhance a company if done properly. Reliable, hardworking and educated people are a scarcity in today's market and understanding employee needs and developing methods to meet those needs is important. Brenner, Pringle and Greenhaus (1991 July) state that job clarity, defined rules and procedures development of skills, increasing personal knowledge of the business and the industry, job security, intellectual stimulation and personal achievement are all priorities which employees graduating from college desire in an employment position (69). Successful tactics for maintaining and creating employee satisfaction are training and a Management By Objectives program.

In order to enhance the employee's personal satisfaction with the position and incorporate knowledge, training will be an essential part of management's whether through short-cuts increased sales and the steps to take to perform them.

5) Throughout the year, the manager has a basis for evaluating the worker's performance, such as an evaluation form.

6) The results are measured against the objectives along with an arbitrary evaluation of the job performed.

There are many benefits to a Management By Objectives program. It is a comprehensive and easy program to understand because the manager identifies the objectives and those individuals who are responsible for achieving them. Also, the worker knows exactly what is expected of him/her and when the objectives are to be attained. This allows the manager to identify the objectives which are critical to the company and to coordinate activities among various individuals, departments or groups so that resources can be concentrated on the more important aspects of the company.

Training and a Management By Objectives program will allow the employee to feel comfortable in his position so that the company will run smoothly. These tactics will be successful as long as the manager realizes the trends that are occurring in the marketplace and those that are occurring within his/her organization. Management must be competent and able to plan for any changes that occur on all levels of the industry, because the company will be affected.

Management responsibilities also include the development of strategies to increase sales and maintain market niches, and the creation of innovative ideas and product mixes to counter the competition, improve the image of the company and meet the needs of the consumers. These particular aspects will be focused upon more in the next section, since they also relate directly to the marketing functions of the company.

B. Marketing

Marketing is a vital element of success for any business. Each company must perform some type of market analysis in order to discover any problem areas which exist and develop strategies to increase the performance of the company. The most important roles of marketing are to develop strategies for increasing sales and maintaining market niches, and to create innovative ideas and product mixes to counter the competition, improve the image of the company and to meet the needs of the consumer.

A market analysis is the breaking down of each component of the market and evaluating it. Those components which will be focused upon in this section are the consumer, the competition, the image, the pricing structure and advertising.

1. Define the Consumer

As mentioned the previous section, the trends in consumer behavior and demographics are changing. The first step in a market analysis is to define who the consumer is for the company involved. In his book Why Entrepreneurs Fail, James W. Halloran (1991) outlines a method for identifying the company's target market. Target marketing is the "breaking down of the overall market for a good or service to the segment that utilizes it the most" (Halloran, 1991, p.77). The objective is to discover who the target market is and what the needs of this market are. The questions that should be answered in order to define this market include:

1) Who is the prime consumer?
2) What is their age?
3) What is their income?
4) What is their education level?
5) What is their sex?
6) What is their marital status?
7) What are their hobbies?
8) What is their lifestyle?

Answers to these questions will help the marketer/manager determine a strategy which will be tailored to meet the needs of this target market. Therefore, the next step in defining the consumer is to identify their needs. Some questions to be answered include:

1) What needs are being fulfilled by the product/service your company offers?
2) Which is the segment with the greatest unfulfilled need?
3) What is the consumer's compensation if this need can not be fulfilled?
4) What is the financial capability of this market to purchase?
5) Who are the leaders and the trend setters?
6) What are the common interests among this market?

These questions will help the marketer define who comprises the target market and what the needs of these consumers are. Once the consumer has been defined, then strategies can be created to meet these needs.

2. Define the Competition

After the consumer has been defined and his/her needs identified, the next step of the market analysis is to analyze the competition. In his book Building Your Business Plan, Harold J. McLaughlin (1985) describes the steps to take in this evaluation. The first step is to know who the competitors are in the market. This can be found through the government offices, research, and the consumers themselves. Once the competition is found, then an analysis of their "products, strengths, weaknesses, capabilities and limitations..." should be performed (McLaughlin, 1985, p.20).

A knowledge of the competition's product line, prices, image, and advertising methods are necessary to create strategies to increase personal advantage in the market. Some of the questions that the marketer can use to determine some of these factors include:

1) Are the competition's prices at, below or above fair market value?
2) Why are the products priced in this way?
3) Does the competition satisfy the demand, or is the market saturated?

An analysis of the competition along these basic guidelines, with a specific relation to the company's target market, will give an overview of who the competition is and what strategies they are using to capture the consumer.

After this analysis is completed, then the marketer can move on to developing a strategy for his/her company.

3. Define the Image

The product line which the jewelry store carries identifies the company and creates the niche necessary to survive. When deciding upon the merchandise, the company must remember the image of the store and the needs of the target market.

High-end retail stores in the jewelry industry carry items such as flawless diamonds, exclusive designs, and pieces created in eighteen karat gold and/or platinum. At the other end of the spectrum are those stores which carry synthetic stones, fashion jewelry, and low quality, inexpensive goods. There are also many stores which fall into the center which have no distinct product line to set them apart from the competition.

The high-end jewelry stores, therefore, will create the image of quality, service and the ability to reach a particular consumer who relies upon these characteristics. The other stores may be perceived as trying to cater to too many niches and uncertainty within the consumer as to the actual quality of the merchandise.

According to Buchanan and Yochim (1991 October), Tivol Jewelers is an established high-end jewelry company based in Kansas City, MO. Thomas Tivol describes some of the product lines which should not be carried when maintaining a niche in this particular type of market. He admits that the advice he gives can be "...controversial..." (Buchanan and Yochim, 1991 October, p.40), but it does make sense if one is trying to create or maintain this niche. He feels that a high-end jeweler should not carry synthetic stones, lasered or treated diamonds, anything less than eighteen karat gold, hollow chains or bracelets, lightly made or poorly cast jewelry, costume jewelry or imperfect diamonds.

Good tactics for creating a niche through the product line in a high-end market are to buy high quality, unique goods from lesser known sources and to identify social or charitable organizations in the community for the opportunity to speak at their gatherings because it "enhances...credibility and distinguishes a store..." (Buchanan and Yochim, 1991 October, p.40).

James Rubenstein (1991 August) also gives some tips for creating a market niche. These are directly related to the development of a unique market niche. These tips include seeing the current, prospective and past customers in person. This will allow the customer to feel comfortable in their choice of company and adds a personalized touch. Another tactic is to start a direct mail program. This could include brochures of the products or invitations to come into the store. These are ideas that the marketer can use to reach the high-end consumer who relies on service, and this promotes the quality and inmage of the organization as a whole.

The president of Jewelers of America, Mike Roman, stated in the article by Buchanan and Yochim that the product mixes of the 1990's may have to change in general to include such items as "...lower quality merchandise, lighter weights [and] synthetic stones....[in order to] preserve price points..." (Buchanan and Yochim, 1991 October, p.42). Diamonds also may change in the product line for the firms that must protect thir price points to include "...smaller sizes, slightly lower quality, [and] champagne-colored diamonds..." (Buchanan and Yochim, 1991 October, p.42) in order to survive. These are possibilities that the company and the consumer must consider depending on the market niche involved and the image portrayed by the store.

Hodgetts and Kuratko describe signals which can indicate if the company is in danger of losing its market niche. The signals which indicate that this may occur include: 1) many customers leave the store without buying anything, 2) many former customers no longer shop at the store, 3) customers are not urged to buy additional products or trade-up for more expensive ones, 4) the traffic in the store has fallen considerably, 5) the returns have increased, 6) this months sales are down from the previous month, 7) employees are slow in greeting customers, are not neat in personal appearance and appear indifferent, 8) salespeople lack knowledge of the firm's merchandise, 9) the store has a reputation for being greedy due to higher prices and 10) better qualified employees are taking positions with competitors.

Creating and maintaining a market niche is very important for the survival of a company. In the jewelry industry in particular, it is vital. Without a market niche, there are virtually no factors to distinguish a particular company, create an image, and identify the quality and service it offers.

4. Define the Pricing Structure

After defining the niche which the company desires or has created, a pricing structure must be determined. The price is relative to both the product line carried and the ability of the consumers within the target market to purchase. According to Mike Roman, the choice of jewelers is "...to raise prices to maintain profit or absorb the loss in order to maintain market share... [because] prices are being pushed up by competition for high quality goods..." (Buchanan and Yochim, 1991 October, p.41).

The competition within the United States alone has drastically increased within the past few years. Appendix K shows that more jewelry stores are being opened as more malls have been developed. These statistics indicate that the environment is much more competitive and therefore, price will be a major determinant in the future.

When determining the retail price for products, many factors must be considered. The first is to analyze the current situation of the company. This can be accomplished in two ways. According to Steven D. Poppell (1985), one way is to analyze sales trends and the other is to analyze individual products.

In analyzing sales trends, volume is the basis for comparison. There are four categories which can be evaluated. The first is to compare the current month to the previous month. This will show spending trends of consumers by month. The second comparison would be to evaluate the current month in contrast to the same month the previous year. This will indicate patterns in purchasing consistency from year to year. The third is to compare sales from the current year to the previous. This should also be a part of the financial analysis, but will show patterns from one year to the next. Finally, a comparison of previous projections compared to actual results will show any deviations from the expected yearly sales.

The second analysis which should be performed is one in which the individual product lines are evaluated. The contribution of each category to profit margin and percentage to total sales is part of the evaluation, and will indicate which lines have the higher rates of return. These are the product lines which should be emphasized.

After the analysis is completed, the most profitable times of the year and the most profitable product lines will be clearly indicated. This, however, should not be the basis upon which prices are determined. Other factors must be considered.

One factor is how the competition prices their products. In the jewelry industry, price-cutting is a means for survival, and to overprice goods in comparison to the competition is a way to lose potential sales.

Another factor is the weakness of the dollar in relation to foreign currencies. For this industry, this means that the lower dollar makes the foreign products much more expensive for the United States retailers.

The demand for the product itself is another factor that must be considered. Whether demand is elastic or inelastic will play a role on how much the retailer can charge the consumer for the goods.

A final factor is to base the price so that it is consistent with the overall marketing strategy. The price must reflect the consumer' needs and the image of the company.

The retail industry uses two methods to determine and set the prices of their products. One is mark-up and the other is mark-on. According to Hodgetts and Kuratko, mark-up is the difference between the selling price and the cost of goods and an average mark-up is used across product lines. In determining the mark-up, a percentage of the cost is added to the cost to determine the retail price of the good. Mark-on is an increase over and above the initial mark-up that can be used as an incentive for reduction in the price of the good later. Most jewelry stores use a mark-up pricing system, and as noted in Appendix L, this mark-up has changed in the past ten years depending on the cost to the jeweler.

An analysis, a consideration of factors and a system of pricing are all elements which contribute to the overall price which the company should charge for its merchandise. With the price-cutting and the competitiveness of the industry, much consideration must be given to the price.

E. Define the Advertising

Advertising is also an important function in creating demand for the product and increasing sales. A well-developed advertising campaign has many advantages and there are many types of advertising which are successful in attracting customers to an individual jewelry store.

Hodgetts and Kuratko identify many advantages of advertising. The first is that it creates "drawing power" (Hodgetts and Kuratko, 1989, p.321). Good advertising will successfully draw people into the store. A second advantage is that it creates customer loyalty as long as the advertising is consistent with the practices and image of the company. A third advantage is that advertising identifies a company with the goods and services it offers, which helps to create the image of the company and create goodwill. If done correctly, advertising will help to create sales and build the market niche.

The National Retail Merchants Association states that "...if an average store stopped advertising, business would go out in three to four years due to a 20-25% loss of customers per year..." (Hodgetts and Kuratko, 1989, p.321).

There are many methods of advertising which are successful in the jewelry industry. In an article from D&B Reports, Jim Sanders of Sanders Jewelers relates his most successful means of advertisement as "...everything from direct mail to radio, t.v., newspapers, handouts (and) P.R. work..." (Hartmann, 1991 January/February, p.44). There are many channels available for effective advertising.

These channels must be conducive to the customer which the advertising is attempting to reach within the target market. Point-of-sale displays and word-of-mouth advertising must not be ignored as successful methods of advertising. The displays of the jewelry within the store reflect an image. and they should be interesting. unique and appealing to the eye. The word-of-mouth advertising is important because the customer will inform people whether or not he/she has received good service by friendly salespeople at a fair price.

C. Financial Analysis: Zale Corp.

A financial analysis is a very important part of understanding the company. This analysis will give an overview of any problems within the company that pertain to the assets. liabilities, net worth, sales, expenses and profits. These are necessary factors for the manager to recognize in order for strategies to be developed to counter any problems that arise from this analysis.

1. An Overview

Zale Corp. is the nation's largest retailer of fine jewelry. This is with respect to both total sales and number of retail locations. The company is a subsidiary of People's Jewellers and Swarovski International Holdings. A.G. On June 28, 1989. Zale Corp. acquired Gordon's Jewelers, the nation's second largest retailer of fine jewelry. by purchasing all outstanding capital stock for $436.7 million. At this time. the operations also moved from Texas to Delaware.

Fiscal year 1992 has not been a good year for Zale Corp. The company had annual sales in 1991 of approximately $1.34 billion and debt of approximately $1.2 billion. This includes a $158 million interest and bonds payment (Beres, 1992 January 1). This debt load carries approximately 71% of their capital needs.

The second quarter losses (quarter ending September 30) were $84.95 million and on December 2, 1991, the company failed to make a $52 million interest payment on their junk bonds. The company held their creditors at bay until after the Christmas holiday season, however, sales dropped dramatically from the previous year and Zale Corp. was unable to make the payment. As the company began to receive involuntary petitions against them for action, Zale Corp. filed Chapter 11 bankruptcy on January 23, 1992.

A financial analysis is evaluating the company on the basis of industry averages. There are two parts to the analysis. One is to compare the company's assets, liabilities, net worth and income statement categories to the industry average. The second part involves the use of ratios, where these different areas are compared to each other to show how effectively the company has utilized them in comparison to the industry.

2. Ratio Analysis

Hodgetts and Kuratko suggest that an analysis of two periods of time are best. Ratio analysis can only be used as indicators, and judgment as to whether these ratios are good or bad can only be based on an understanding of what other firms in the industry are doing and how they are performing.

The Annual Report of Zale Corp. in 1991 provides the data for the analysis, and the Annual Statement Studies (1991) by Robert Morris and Associates provides the industry averages. [The 1991 Balance Sheet and Income Statement for Zale Corp. is located in Appendix M and N, respectively. The percentage breakdown in comparison with the industry is in Appendix O and the ratios are located in Appendix P].

The first step of this analysis is to compare the company to the industry in terms of the averages of assets, liabilities, net worth and income statement categories. Zale Corp. appears to have serious financial problems in 1990 which have led to further problems in 1991. One of the most serious is the low percentage of cash that the company has in comparison to the industry. Cash is necessary to pay expenses, interest on bonds and loans, anything else that requires immediate payment. An inadequate amount of cash can create serious financial difficulties.

The trade receivables of Zale Corp. decreased to well below the industry average in 1991. This decrease was undoubtedly due to the sale of a portion of Gordon's customer receivables to a trust in December, 1990. By giving a secondary source those receivables, the company lost income but also improved this area of their balance sheet.

Zale Corp.'s inventory is also over 30% lower than the industry average. This means that either the company does not have sufficient inventory or their carrying costs are less because the inventory is lower priced. Because Zale Corp. is attempting to rid itself of inventory to build up its cash reserves, the stores probably do not carry high priced goods.

Fixed assets in 1991 are about 4% above the industry average. This is not surprising due to the acquisition of Gordon's and the subsequent ownership of their plant, property and equipment. This has increased from 1990, however, which could indicate a possible problem.

The liability side of the balance sheet appears fine throughout the current liabilities. The long-term debt, however, is extremely high. This percentage is slightly over 40% higher than the industry average, and has increased since 1990. This indicates that the company may be overleveraged. High long-term debt and low cash and equivalents is not a healthy situation for any company.

Net worth, or the amount of the company that is not financed by debt, is low compared to the industry. This percentage is slightly less than 20% lower than the industry average, which indicates that the majority of the company is dependent upon debt as capital. Another problem indicated is that if anything happened to the company, the creditors of Zale Corp. own more of the company than the partnership who acquired it.

The income statement categories also indicate some possible problem areas. Gross profit, or the amount left after the cost of goods sold is subtracted, is about 15% lower than the industry. This indicates that the company is not selling at a price that is beneficial to profit. The margin between the cost and the selling price is lower than the industry's average. Operating expenses, however, are also lower than the industry average, which is beneficial for offsetting the lower margin.

Other expenses are very high compared to the industry. This is partially due to the remodeling of some of the stores in various divisions and high interest expense for carrying the amount of debt that Zale Corp. is currently carrying.

Profit before taxes fell substantially in 1991 to a loss of about 22.8% for 1991. This loss indicates that sales were lower than expected or that costs were too high. The weak economy and low Christmas sales exemplified this loss in profit.

Once the analyst knows how Zale Corp. compares to the industry in these areas, then the ratio analysis can truly begin. These ratios compare different elements of the balance sheet and income statement to each other in order to gain a better perspective.

The current ratio rose from 1990 to 1991. This is current assets divided by current liabilities and this ratio is a rough indication of the firm's ability to handle its current obligations. In 1991, Zale Corp. does not seem to have a problem meeting their obligations, however, the composition of the assets involved is important in determining the accuracy of the ratio.

The quick ratio expresses the degree to which the company can meet the current obligations with its most liquid assets. Any value less than a one to one ratio show a dependency on inventory for the payment of all short-term debt. Zale Corp.'s quick ratio is not as promising as their current ratio appears to be.

Sales to receivables, or the number of times that trade receivables turn over each year. This ratio has improved substantially from 1990 to 1991. This is most likely due to the sale of Gordon's receivables to the secondary source.

The cost of sales to inventory measures the number of time that inventory is turned over throughout the year. Zale Corp. appears to perform well in that particular ratio. The cost of sales to payables measures the number of times that the trade payables are turned over each year. Zale Corp. is below the industry average in this ratio, which indicates that there may be cash shortages, extended terms or expanding credit.

Sales to working capital (where working capital is current assets less current liabilities) is slightly above the industry average, which according to this ratio, indicates that the margin is great enough for protection from the creditors

The ratios just described are referred to as liquidity ratios, where their purpose is to relate the assets the company possesses to how well they are using them. The next ratios are coverage ratios, which will indicate the firm's ability to meet its debt.

The firm's earning before interest and taxes against the interest itself will show the company's ability to meet interest payments. Zale Corp.'s ratio is extremely low compared to tje industry, which means that the debt is extremely high. The company can not afford to take on any more debt.

The debt to worth ratio is also worth examining. Zale Corp. has a much higher percentage than the industry does, although it had decreased in the past year. This reveals that Zale Corp. has borrowed capital to finance itself in the past few years rather than build up equity.

Another type of ratio is the operating ratio which will evaluate management performance. The percent profit before taxes to net worth and percent profit before taxes to total assets are down substantially from the previous year. This is obviously a result of a weak economy and low sales. Sales to fixed and total assets are also types of operating ratios that will indicate the productive use of the fixed assets, and the ability to generate sales in relation to total assets. Zale Corp. falls very low in both of these areas.

3. Evaluation

Zale Corp. was not in a positive position before 1991. One of the biggest mistakes that the company made was acquiring Gordon Jewelers in 1989 through the use of long-term debt. The interest payments on the bonds that the company issued was a major factor that caused them to file bankruptcy.

Zale Corp. needs to completely realign itself within the market. Consumers and employees have lost faith in the company, as well as investors. These trends were obvious into 1990, and some of these problems should have been taken care of before 1991. Zale Corp., under the protection of Chapter 11, must basically start again with image, market niche, and any competitive advantage which they might have once held.

IV. CONCLUSION

The jewelry industry is in the midst of rough times. The only strategy for the companies that remain in the industry is survival. There are many opportunities for a company to develop strategies to gain some type of advantage in the market. The strategies revolve around three functional areas of the business: management, marketing and finance.

The first step in survival is to understand the conditions of the industry. If the manager/marketer/analyst does not know what the industry is doing, then he/she has no basis for comparison and no guidelines to follow.

It is also extremely important that the manager understand the sources of failure and success. Recognizing any of the pitfalls described in this paper may save the company because a strategy can be developed before hand to counter the problem. Characteristics of success are also important to understand because the manager can use them as the goals or objectives of a strategy.

The functional areas of the business are so overlapped that it is very difficult to separate distinct roles. Management is responsible for recognizing changing trends in consumer behavior and demographics; the ability to understand the financial aspect of the company; maintaining employee satisfaction; developing strategies to increase sales and maintain market niches; and creating innovative ideas and product mixes to counter the competition, improve the image of the company and meet the needs of the consumer.

Tactics for accomplishing these objectives include following the consumer trends. Another is to understand the basic information in the financial statements in order to analyze the company on this basis. Another method is to increase employee satisfaction through training and a Management By Objectives program.

The marketing aspect involves many different areas, also. Defining the consumer involves identifying the target market, and the needs of the consumers within this market. The competition must be defined and analyzed along product lines, price points, management skills and strengths and weaknesses. The image of the company must also be defined. The most effective method of achieving this objective is through the product line, which will help create a niche in the market. The pricing structure must also be determined to include the mark-up and other factors, such as the economy and the competition. in the price of the good. Finally. advertising must be integrated to reinforce all of these objectives.

If management would implement some of these ideas into their business practices, the chance for failure in the jewelry industry. or any industry, is greatly reduced. The manager is prepared for the changes and has knowledge about the marketplace and the consumer. The industry is definitely changing. and companies like Zale Corp. will not survive without controlling the enormous amounts of debt that they have accumulated in the past few years. Perhaps in a few years. everyone will shopping for cut, clarity, color and carat weight in the smaller, independent retail stores.

V. APPENDICES A THROUGH P

Clarity Scale (GIA)

F	IF	VVS_1	VVS_2	VS_1	VS_2	SI_1	SI_2	I_1	I_2	I_3

Color Scale (GIA)

D E F		Colorless
G H I J		Near Colorless
K L M		Faint Yellow
N O P Q R		Very Light Yellow
S through Z		Light Yellow
Z+		Fancy Yellow

Source: Stephanie Gaunt,
Harry Gaunt Jewelers

APPENDIX B

DIAMOND ENGAGEMENT RINGS: CARAT WEIGHT

Weight of center diamond in engagement rings	% of Panelists' unit sales in: 1976	1978	1981	1984	1986	1988	1990
1-10 pt.	5.2%	11.1%	14.6%	12.7%	6.8%	5.7%	4.5%
11-20 pt.	17.9	17.9	18.2	23.9	17.1	9.4	6.5
21-30 pt.	25.1	23.6	22.3	14.1	18.4	16.8	9.7
31-40 pt.	15.5	13.0	14.1	11.3	11.0	12.3	7.1
41-50 pt.	10.6	7.4	8.0	11.3	11.8	11.9	12.9
51-60 pt.	8.4	5.6	6.4	8.4	7.5	9.0	9.7
61-70 pt.	3.2	2.7	2.6	2.8	6.1	5.3	7.1
71-80 pt.	3.7	3.2	1.5	4.2	4.5	4.1	7.7
81-90 pt.	1.9	2.0	3.6	4.2	1.9	3.7	5.8
91-100 pt.	1.9	1.2	1.0	1.4	4.2	6.0	7.7
1.0-2.0 ct.	6.6	12.3	6.4	5.7	8.1	12.1	17.4
2.0-plus ct.	N.A.	N.A.	1.3	0.0	2.6	3.7	3.9
Total	100%	100%	100%	100%	100%	100%	100%
Median weight	30 pt.	28 pt.	27 pt.	30 pt.	36 pt.	48 pt.	60 pt.

Source:

Shor, Russell
(1991 June)
p. 53-60

DIAMOND ENGAGEMENT RINGS: COLOR

GIA color grade	% of engagement diamonds sold by JCK Panelists in: 1976	1978	1981	1984	1986	1988	1990
D, E, F	29.6%	15.6%	9.9%	6.4%	12.8%	17.9%	11.4%
G, H, I	58.3	61.9	64.6	72.3	61.4	60.8	60.4
J, K, L	10.7	18.0	22.6	21.3	22.7	20.3	26.2
M, N, O	1.4	4.5	2.9	0.0	3.1	1.0	2.0
Total	100%	100%	100%	100%	100%	100%	100%
Median color	G	H	H	H	H	H	H

DIAMOND ENGAGEMENT RINGS: CLARITY

GIA clarity grade	% of engagement diamonds sold by JCK Panelists in: 1976	1978	1981	1984	1986	1988	1990
FL, IF	4.1%	3.9%	1.0%	0.0%	1.1%	0.4%	0.7%
VVS_1	13.9	5.6	3.7	6.5	4.6	5.8	5.2
VVS_2	12.7	13.2	6.8	3.2	5.0	4.9	5.2
VS_1	27.1	17.1	17.3	22.6	11.7	15.2	17.6
VS_2	13.9	18.2	14.2	21.0	15.9	14.2	14.4
SI_1	9.8	11.5	26.2	35.5	24.3	25.9	19.0
SI_2	9.6	10.7	15.7	4.8	22.0	18.2	22.2
Imp	8.9	19.8	15.1	6.4	15.4	15.4	15.7
Total	100%	100%	100%	100%	100%	100%	100%
Median clarity	VS_1	VS_2	SI_1	VS_2	SI_1	SI_1	SI_1

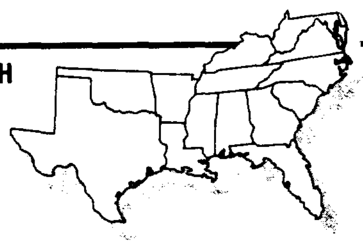
MAY 1991

REGIONAL SALES AND ECONOMIC FACTORS THAT AFFECT THEM

NORTHEAST

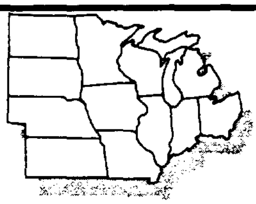
Retail sales	($ mil.)	change from '90			change from '90
Total	$32,652	-1.4%	**Consumer Price Index**	141.7	+5.2%
General merchandise	3,337	+7.0	**Unemployment rate**	7.4%	+48.0%
Department stores	2,589	+5.9	**Help-wanted ads**	47.5	-31.7%
Automotive dealers	6,760	-6.9	**New single homes sold**	5,000	-28.6%
Apparel/accessories	2,020	+1.7	**New jewelry firms**	9	-8
			Jewelry firm failures	6	+3

SOUTH



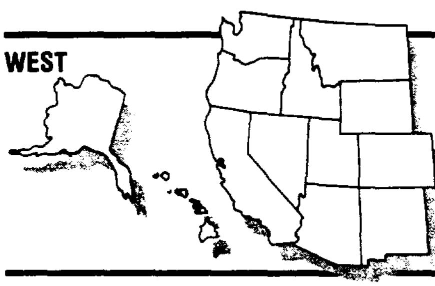
Retail sales	($ mil.)	change from '90			change from '90
Total	$54,152	+4.1%	**Consumer Price Index**	132.5	+4.7%
General merchandise	6,265	+2.8	**Unemployment rate**	6.6%	+26.9%
Department stores	5,105	+4.8	**Help-wanted ads**	136.0	-24.3%
Automotive dealers	12,963	+5.6	**New single homes sold**	18,000	-10.0%
Apparel/accessories	2,476	+1.3	**New jewelry firms**	31	-10
			Jewelry firm failures	16	+7

MIDWEST



Retail sales	($ mil.)	change from '90			change from '90
Total	$38,629	+5.7%	**Consumer Price Index**	132.3	+5.0%
General merchandise	4,934	+10.9	**Unemployment rate**	6.0%	+20.0%
Department stores	4,075	+11.4	**Help-wanted ads**	65.0	-26.6%
Automotive dealers	8,614	-1.3	**New single homes sold**	10,000	+11.1%
Apparel/accessories	1,759	+10.7	**New jewelry firms**	10	-1
			Jewelry firm failures	7	+3

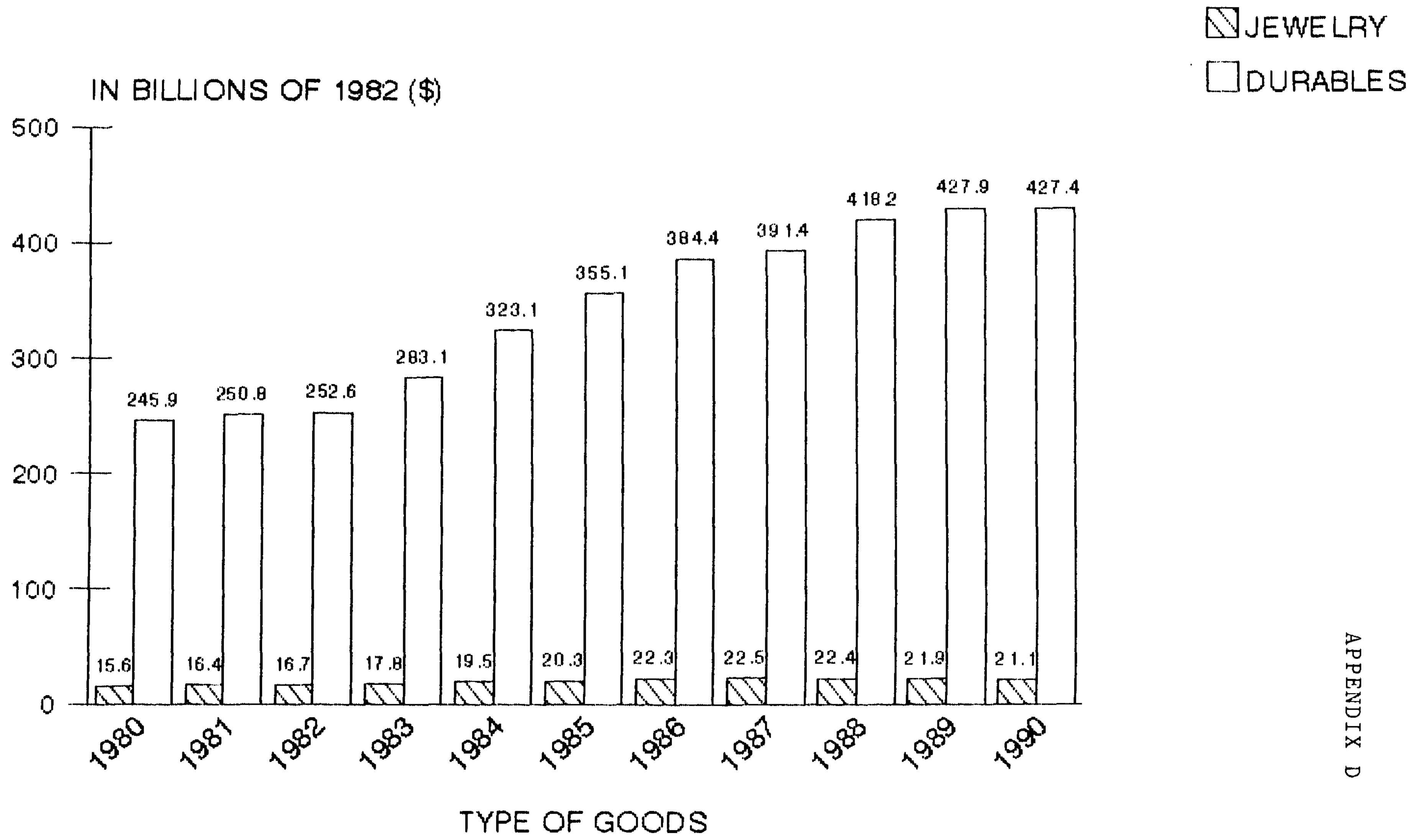
WEST



Retail sales	($ mil.)	change from '90			change from '90
Total	$33,786	+1.3%	**Consumer Price Index**	136.3	+4.9%
General merchandise	3,546	+1.5	**Unemployment rate**	6.6%	+26.9%
Department stores	2,816	+3.4	**Help-wanted ads**	199.5	-29.0%
Automotive dealers	6,291	-9.2	**New single homes sold**	12,000	-14.3%
Apparel/accessories	1,745	-1.4	**New jewelry firms**	9	-7
			Jewelry firm failures	9	+6

Footnotes: All figures are from the U.S. government except jewelry firm starts and failures from the Jewelers Board of Trade. Figures showing the change from '90 are percentages except for those from JBT, which are the actual number of firms. Regions are defined by the government (see maps). Exception: JBT counts Colorado, Delaware, Kansas, Missouri, New Mexico and Washington, D.C., in the South. CPI/1982-'84 = 100. Help-wanted ad statistics are from a Conference Board index (1967 = 100) of major metropolitan areas. N.C. = no change.

PERSONAL CONSUMPTION OF JEWELRY
FROM 1980 TO 1991



APPENDIX D

SOURCE:
DIAMOND REGISTRY
5/31/91

Personal Consumption Expenditure	"GC82"
8501	2319.100
8502	2337.400
8503	2375.900
8504	2386.900
8601	2410.900
8602	2432.400
8603	2464.400
8604	2477.800
8701	2482.200
8702	2509.900
8703	2536.600
8704	2534.200
8801	2576.800
8802	2594.100
8803	2616.400
8804	2638.800
8901	2636.700
8902	2645.300
8903	2675.300
8904	2669.900
9001	2677.300
9002	2678.800
9003	2696.800
9004	2673.600
9101	2663.700
9102	2680.500
9103	2705.300
9104	N/A

Gross National Product	"GNP82"
8501	3577.500
8502	3599.200
8503	3635.800
8504	3662.400
8601	3721.100
8602	3704.600
8603	3712.400
8604	3733.600
8701	3781.200
8702	3820.300
8703	3858.900
8704	3920.700
8801	3970.200
8802	4005.800
8803	4032.100
8804	4059.300
8901	4095.700
8902	4112.200
8903	4129.700
8904	4133.200
9001	4150.600
9002	4155.100
9003	4170.000
9004	4153.400
9101	4124.100
9102	4118.900
9103	4143.100
9104	N/A

Source: Bureau of Business Research, Ball State University

F

DE BEERS PRICE INCREASES FOR ROUGH DIAMONDS

September,	1949	25.0%
March,	1951	15.0
September,	1952	2.5
January,	1954	2.0
January,	1957	5.7
May,	1960	2.5
March,	1963	5.0
February,	1964	to10.0
August,	1966	7.5
November,	1967	16.6
September,	1968	2.5
July,	1969	4.0
November,	1971	5.0
January,	1972	5.4
September,	1972	6.0
February,	1973	11.0
March,	1973	7.0
May,	1973	10.0
August,	1973	10.2
December,	1974	1.5
January,	1976	3.0
September,	1976	5.75
March,	1977	15.0
December,	1977	17.0
August,	1978	30.0
September,	1979	13.0

DIAMOND PRODUCTION LEADERS

All members of the "million-carat club" now market most or all of their production through De Beers' Central Selling Organisation.

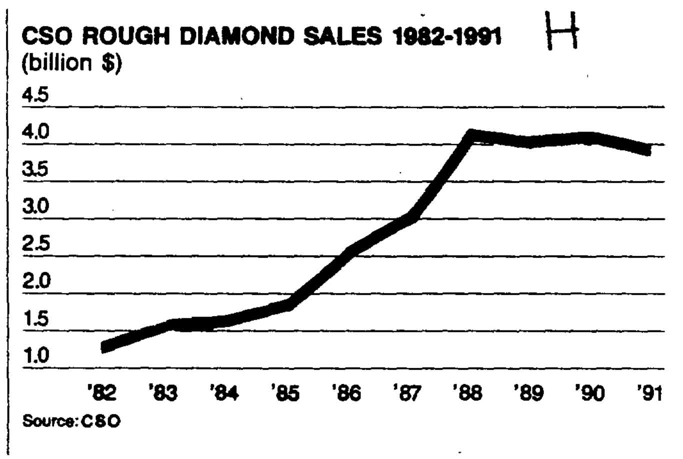
Country	Total production (millions)	% gem/near gem	% sold to CSO
Angola	1.2	95%	75-80%
Australia	35.2	50	73 (a)
Botswana	17.0	65	100
Namibia	1.1	97	99(b)
South Africa	9.3	41	95
USSR	12.0	45	80(c)
Zaire	19.0	15	50(d)

Production based on 1990 estimates

(a) 25% of near gem and industrials are sold independently through Argyle's Antwerp sales office. A small but high-value portion of gem material is retained for local polishing.
(b) All of Namibia's land-based production is in De Beers-owned mines. Samples from independent off-shore exploration account for the estimated 1%.
(c) The Soviets retain an estimated 20% of gem production for local polishing.
(d) The CSO has a sales contract with Zaire's state-run mining firm accounting for half the production. Artismal diggers produce the rest for sale on the open market.

Source: Shor, 1991 October, p. 69

APPENDIX H



CITED IN "CSO rough", 1991 October

APPENDIX I

I

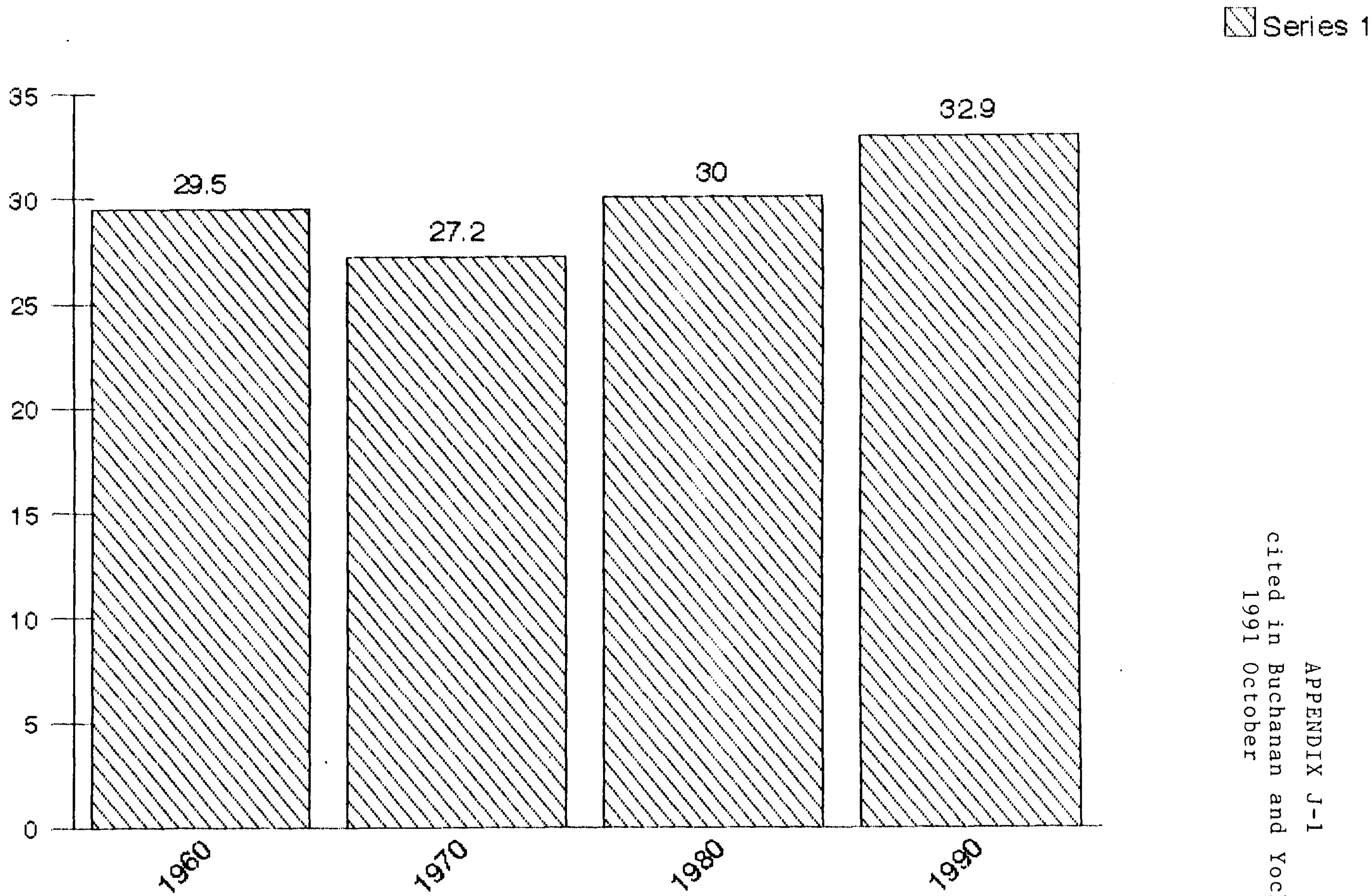
Figure 2
ENVIRONMENT/RESPONSE MATRIX
CLASSIFICATION OF GENERIC APPROACHES TO TURNAROUND

ENVIRONMENT	Administrative	Strategic
Internal	Cell I Policies Procedures Rules Systems	Cell II Analysis Planning Positioning
External	Cell III Risk Management	Cell IV Product Development Diversification Niching Market Development Market Penetration

RESPONSE

Source: Boyle and Desai, 1991 July, p. 38

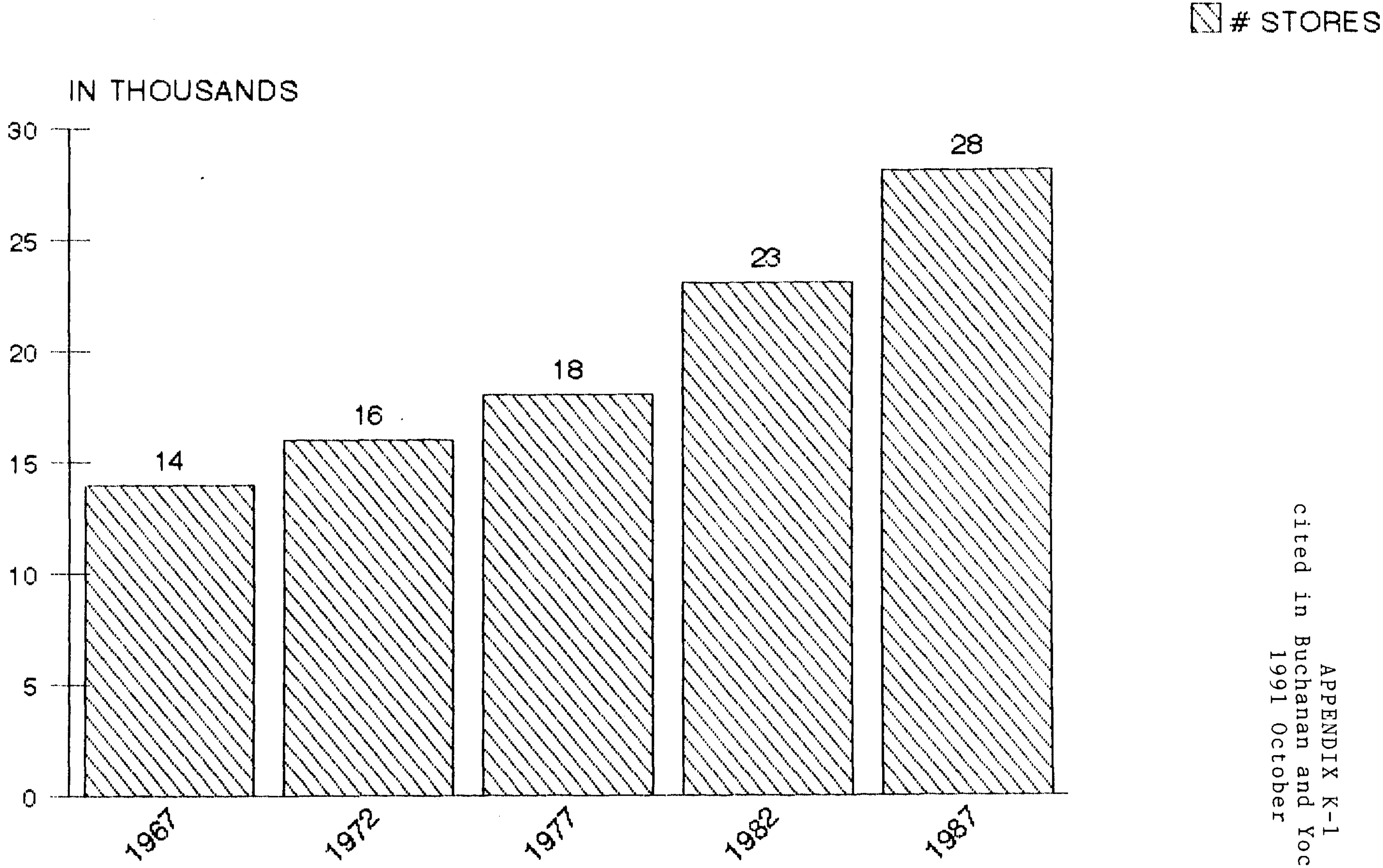
MEDIAN AGE OF THE U.S. POPULATION



APPENDIX J-1
cited in Buchanan and Yochim, 1991 October

SOURCE:
U.S. BUREAU OF THE CENSUS

NUMBER OF U.S. JEWELRY STORES

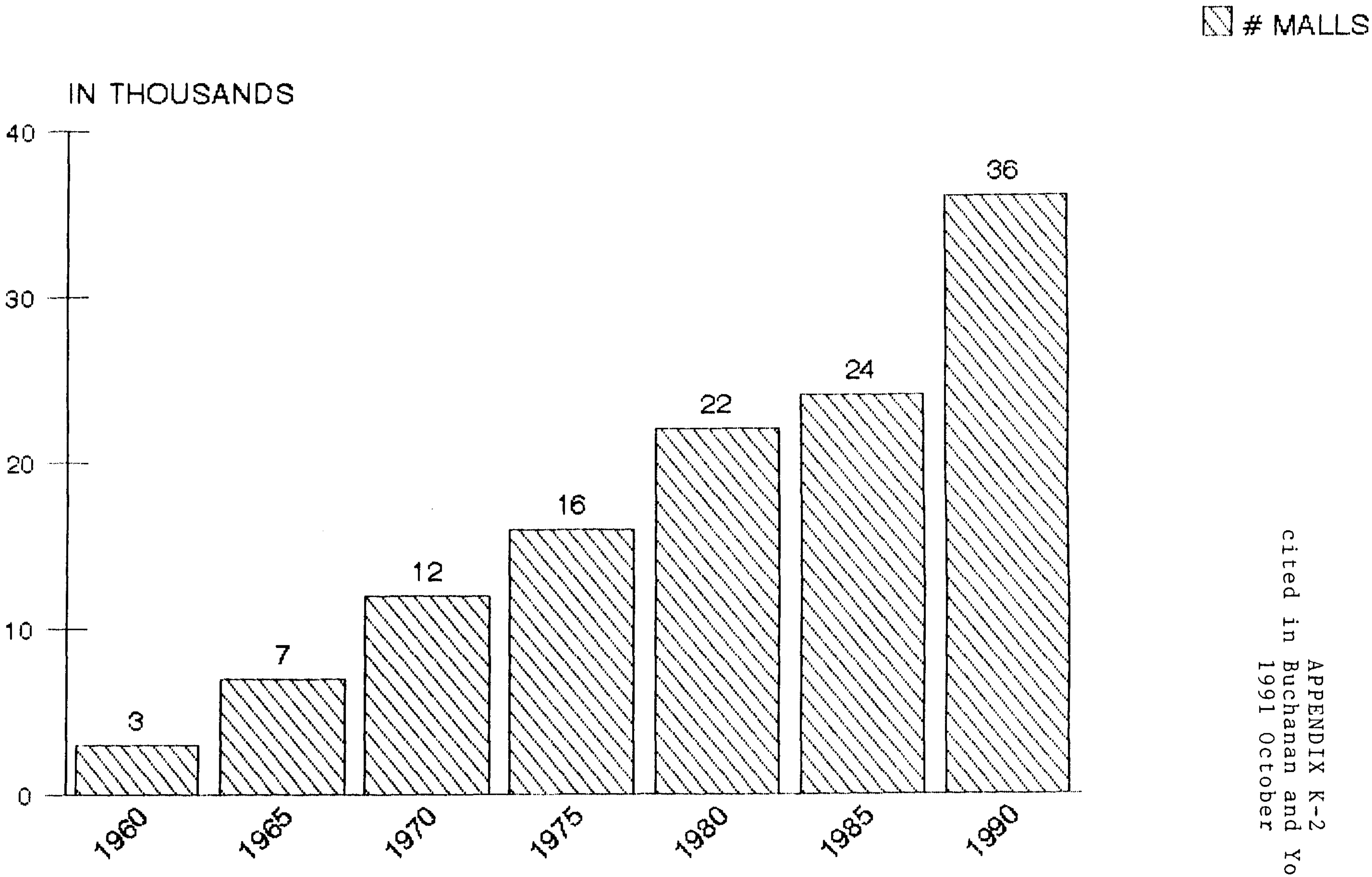


APPENDIX K-1
cited in Buchanan and Yochim
1991 October

SOURCE:
U.S. CENSUS BUREAU,
CENSUS OF RETAIL TRADE

APPENDIX K-2
cited in Buchanan and Yochim
1991 October

NUMBER OF U.S. SHOPPING MALLS



SOURCE:
THE INTERNATIONAL COUNCIL
OF SHOPPING CENTERS, NY

APPENDIX L

DIAMOND MARKUPS: JEWELERS USE A SLIDING SCALE

Jewelers' cost	Retail range 1981	Retail range 1991	Retail median 1981	Retail median 1991	% markup 1981	% markup 1991
$100	$195-$350	$165-$350	$230	$250	130.0%	150.0%
$200	325-750	330-600	550	475	175.0	137.5
$500	750-1,500	800-1,500	1,000	1,125	100.0	125.0
$1,000	1,400-3,000	1,500-3,000	2,000	2,100	100.0	110.0
$1,500	1,800-4,500	2,000-4,500	2,995	3,000	99.7	100.0
$3,000	3,250-7,000	3,800-8,400	5,000	5,700	66.7	90.0
$5,000	5,500-10,500	6,000-13,995	8,000	8,750	60.0	75.0
$7,500	8,500-15,000	8,400-17,500	11,250	12,000	50.0	60.0
$10,000	11,500-20,000	11,000-22,500	14,250	15,000	42.5	50.0

Source:
Shor, 1991 June, p. 53-60

CONSOLIDATED BALANCE SHEETS

	March 31, 1991	March 31, 1990
	(amounts in thousands)	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 19,770	$ 8,587
Customer Receivables, Net	78,882	482,339
Receivable from Affiliate	18,000	...
Merchandise Inventories	618,833	621,160
Investment in Marketable Securities, Net	93,876	...
Other Current Assets	103,942	64,537
Total Current Assets	933,303	1,176,823
Receivables from Affiliates	214,000	200,000
Net Property and Equipment	263,766	218,294
Purchase Price in Excess of Net Assets Acquired	265,698	300,366
Other Assets	112,411	117,786
Total Assets	$1,789,178	$2,013,247
LIABILITIES AND SHAREHOLDER'S INVESTMENT		
Current Liabilities:		
Notes Payable	$ 216,367	$ 366,057
Current Portion of Long-Term Debt	439	331
Accounts Payable and Accrued Liabilities	213,721	262,901
Accrued Business Restructuring and Acquisition-Related Expenses	14,079	27,268
Total Current Liabilities	444,606	657,357
Non-Current Liabilities	37,817	41,390
Long-Term Debt	956,753	980,893
Commitments and Contingencies		
Shareholder's Investment:		
Capital Stock:		
Common: 2,300 and 1,300 Shares Issued and Outstanding	...	...
Additional Paid-In Capital	406,127	333,607
Retained Earnings (Deficit)	(56,125)	...
Total Shareholder's Investment	350,002	333,607
Total Liabilities and Shareholder's Investment	$1,789,178	$2,013,247

See Notes to Consolidated Financial Statements.

Source: 1991 Annual Statement, Zale Corp.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended March 31,		
	1991	1990	1989
	(amounts in thousands)		
Net Sales	$1,335,260	$1,300,093	$ 923,061
Cost of Sales (Including Buying and Occupancy Expenses)	918,977	829,117	618,365
Selling, General and Administrative Expenses	352,933	305,453	206,862
Operating Earnings	63,350	165,523	97,834
Net Reduction of Reserves for Preacquisition Contingencies	13,161	17,882	11,485
Interest Expense	151,136	153,168	103,927
Amortization of Debt Issue Costs	8,960	12,160	2,780
Interest Income, Principally from Affiliates	25,006	25,111	24,725
Earnings (Loss) Before Income Tax Expense, Extraordinary Item and Cumulative Effect of Accounting Changes	(58,577)	43,200	27,337
Income Tax Expense	...	17,250	9,450
Earnings (Loss) Before Extraordinary Item and Cumulative Effect of Accounting Changes	(58,577)	25,950	17,887
Extraordinary Item - Gain on Repurchase of Senior Notes	4,452	...	...
Cumulative Effect of Accounting Changes:			
Revision of Layaway Sales Accounting, Net of Income Tax Expense of $2,263	...	3,684	...
Revisions of LIFO Methodology, Net of Income Tax (Benefit) Expense of $(1,714) and $1,310, Respectively	...	(2,789)	2,139
Net (Loss) Earnings	$ (54,125)	$ 26,845	$ 20,026

See Notes to Consolidated Financial Statements

Source: 1991 Annual Statement, Zale Corp.

Ro

APPENDIX O

RETAILERS - JEWELRY SIC# 5944

Current Data Sorted By Assets						Type of Statement	Comparative Historical Data	
2	4	6	3	3	1	Unqualified	48	41
		1				Qualified	4	6
13	25	20	1			Reviewed	76	87
89	77	13	1		1	Compiled	157	153
3	6					Tax Returns		
27	20	8	4			Other	42	47
167(4/1-9/30/90)			161(10/1/90-3/31/91)				6/30/86-3/31/87	6/30/87-3/31/88
0-500M	500M-2MM	2-10MM	10-50MM	50-100MM	100-250MM		ALL	ALL
134	132	48	9	3	2	NUMBER OF STATEMENTS	327	334
%	%	%	%	%	%	**ASSETS**	%	%
8.7	5.2	5.8				Cash & Equivalents	5.3	5.5
9.4	12.6	15.7				Trade Receivables - (net)	14.7	14.0
68.3	67.6	61.7				Inventory	64.5	64.9
1.1	1.8	2.5				All Other Current	1.8	1.3
87.5	87.1	85.7				Total Current	86.3	85.7
8.6	8.4	10.6				Fixed Assets (net)	9.5	10.2
1.1	.6	.3				Intangibles (net)	.6	.4
2.8	3.8	3.4				All Other Non-Current	3.7	3.7
100.0	100.0	100.0				Total	100.0	100.0
						LIABILITIES		
11.7	14.1	14.5				Notes Payable-Short Term	15.3	13.2
3.5	2.8	4.3				Cur. Mat.-L/T/D	3.2	3.5
19.9	19.8	19.5				Trade Payables	20.3	20.6
1.0	.4	.8				Income Taxes Payable	1.1	1.0
7.0	6.8	6.5				All Other Current	7.3	7.9
43.1	43.8	45.6				Total Current	47.2	46.2
17.3	10.3	9.5				Long Term Debt	12.5	13.4
.0	.1	.4				Deferred Taxes	.6	.5
2.8	3.7	4.4				All Other Non-Current	2.6	2.2
36.9	42.2	40.1				Net Worth	37.1	37.8
100.0	100.0	100.0				Total Liabilities & Net Worth	100.0	100.0
						INCOME DATA		
100.0	100.0	100.0				Net Sales	100.0	100.0
48.3	44.0	46.1				Gross Profit	46.4	45.9
42.4	40.3	41.2				Operating Expenses	42.2	41.1
5.9	3.7	4.9				Operating Profit	4.3	4.8
1.9	1.3	2.1				All Other Expenses (net)	.9	1.0
3.9	2.4	2.8				Profit Before Taxes	3.3	3.8
						RATIOS		
3.3	3.1	2.5					2.7	2.9
2.1	2.1	1.8				Current	1.9	1.9
1.6	1.4	1.5					1.4	1.4
.7	.9	.7					.8	.8
(133) .3	(130) .3	.4				Quick	(326) .4	(333) .3
.2	.2	.2					.2	.2
2 171.1	5 66.9	5 75.6					7 51.9	6 59.0
13 28.7	20 18.1	26 14.1				Sales/Receivables	25 14.8	23 16.0
30 12.3	46 7.9	60 6.1					56 6.5	50 7.3
203 1.8	203 1.8	203 1.8					192 1.9	192 1.9
304 1.2	304 1.2	281 1.3				Cost of Sales/Inventory	281 1.3	261 1.4
406 .9	406 .9	365 1.0					406 .9	365 1.0
41 8.9	49 7.5	42 8.7					43 8.4	41 8.9
69 5.3	76 4.8	70 5.2				Cost of Sales/Payables	79 4.6	74 4.9
118 3.1	107 3.4	135 2.7					118 3.1	122 3.0
2.3	2.3	2.7					2.6	2.7
3.7	3.5	4.1				Sales/Working Capital	3.7	4.2
6.4	6.0	7.8					7.1	8.2
5.8	4.3	4.0					5.5	6.4
(121) 2.5	(125) 2.2	(45) 2.0				EBIT/Interest	(301) 2.9	(300) 3.1
.9	1.2	1.5					1.4	1.5
3.4	2.6	3.3					6.3	5.6
(38) 1.7	(53) 1.1	(30) 1.2				Net Profit + Depr., Dep., Amort./Cur. Mat. L/T/D	(136) 1.4	(153) 1.7
.1	.4	.9					.5	.7
.1	.1	.1					.1	.1
.2	.2	.3				Fixed/Worth	.2	.2
.5	.4	.4					.5	.6
.9	.6	1.0					.9	.9
1.7	1.3	1.8				Debt/Worth	1.8	1.8
4.4	3.1	2.6					3.5	3.4
31.7	16.5	19.9					29.4	35.9
(125) 16.7	(127) 9.2	10.5				% Profit Before Taxes/Tangible Net Worth	(308) 12.8	(320) 16.7
1.3	2.3	5.5					3.7	5.6
14.2	7.3	8.6					10.4	11.8
5.7	3.8	3.9				% Profit Before Taxes/Total Assets	4.9	6.0
.2	.7	1.9					1.2	1.7
88.2	65.8	35.2					51.8	57.8
34.8	31.5	16.5				Sales/Net Fixed Assets	23.0	21.9
13.2	16.3	11.1					11.5	11.9
2.2	2.0	2.0					2.0	2.0
1.6	1.6	1.7				Sales/Total Assets	1.5	1.6
1.2	1.2	1.3					1.2	1.3
.7	.5	.7					.9	.8
(96) 1.2	(113) 1.0	(46) 1.3				% Depr., Dep., Amort./Sales	(280) 1.6	(283) 1.4
2.0	1.5	2.0					2.2	2.1
7.2	4.2	2.6					5.1	3.9
(77) 9.6	(76) 6.4	(24) 4.6				% Officers', Directors', Owners' Comp/Sales	(151) 7.1	(140) 6.3
12.0	9.8	6.8					10.2	10.2
61406M	236744M	386479M	255820M	328419M	327663M	Net Sales ($)	1736097M	2072768M
36840M	140060M	229518M	163390M	215945M	203296M	Total Assets ($)	1130958M	1222019M

M = $thousand MM = $million

See Pages 1 through 15 for Explanation of Ratios and Data

Annual Statement Studies

Comparative Historical Data			Type of Statement	Current Data Sorted By Sales					
38	32	19	Unqualified	1	4	1	3	6	4
3	1	1	Qualified					1	
86	55	59	Reviewed	16	19	8	8	8	
162	166	181	Compiled	108	59	7	5	1	1
		9	Tax Returns	5	3	1			
52	67	59	Other	32	10	5	6	4	2
6/30/88-3/31/89	6/30/89-3/31/90	4/1/90-3/31/91		167(4/1-9/30/90)			161(10/1/90-3/31/91)		
ALL	ALL	ALL		0-1MM	1-3MM	3-5MM	5-10MM	10-25MM	25MM & OVER
341	321	328	NUMBER OF STATEMENTS	162	95	22	22	20	7
%	%	%	ASSETS	%	%	%	%	%	%
6.3	6.3	6.6	Cash & Equivalents	8.0	5.0	5.5	6.6	4.3	
13.8	14.4	11.9	Trade Receivables - (net)	9.8	12.9	13.9	18.0	15.1	
65.1	63.8	66.7	Inventory	67.8	68.1	66.8	60.6	59.4	
1.7	1.3	1.6	All Other Current	2.0	1.5	.9	.5	1.0	
86.8	85.8	86.7	Total Current	87.6	87.4	87.3	85.7	79.8	
8.8	9.3	9.2	Fixed Assets (net)	8.0	8.6	10.4	10.7	14.7	
.6	1.1	.7	Intangibles (net)	1.0	.6	.0	.4	.6	
3.8	3.8	3.3	All Other Non-Current	3.3	3.4	2.4	3.2	4.8	
100.0	100.0	100.0	Total	100.0	100.0	100.0	100.0	100.0	
			LIABILITIES						
12.5	12.5	13.5	Notes Payable-Short Term	12.7	13.6	12.0	19.0	15.5	
2.8	3.0	3.4	Cur. Mat.-L/T/D	3.2	3.2	3.0	4.2	5.3	
21.7	20.5	19.6	Trade Payables	18.9	19.3	29.9	19.1	18.8	
.9	.6	.7	Income Taxes Payable	.9	.3	.3	1.1	.5	
8.2	8.5	6.8	All Other Current	6.9	6.3	8.3	5.1	8.5	
46.2	45.1	43.9	Total Current	42.6	42.7	53.5	48.6	48.5	
12.6	12.7	13.4	Long Term Debt	16.4	9.9	8.7	9.3	8.3	
.6	.3	.1	Deferred Taxes	.1	.1	.1	.3	.5	
2.7	3.8	3.4	All Other Non-Current	3.4	3.3	4.6	3.5	2.1	
37.9	38.1	39.2	Net Worth	37.6	44.1	33.2	38.4	40.5	
100.0	100.0	100.0	Total Liabilities & Net Worth	100.0	100.0	100.0	100.0	100.0	
			INCOME DATA						
100.0	100.0	100.0	Net Sales	100.0	100.0	100.0	100.0	100.0	
45.2	46.4	46.2	Gross Profit	47.7	44.0	43.0	45.3	48.7	
40.4	40.7	41.4	Operating Expenses	42.5	39.4	39.7	39.5	46.9	
4.8	5.7	4.7	Operating Profit	5.2	4.6	3.4	5.8	1.7	
.9	1.5	1.8	All Other Expenses (net)	2.0	1.3	1.5	2.4	.8	
3.9	4.2	3.0	Profit Before Taxes	3.2	3.3	1.9	3.3	.9	
			RATIOS						
3.0	2.9	3.1		3.3	3.1	2.1	2.4	2.4	
1.9	1.9	2.0	Current	2.1	2.1	1.7	1.6	1.7	
1.4	1.5	1.5		1.6	1.6	1.3	1.4	1.2	
.8	.8	.8		.8	.8	.7	.8	.7	
.4	(320) .4	(325) .4	Quick	(161) .3	(94) .4	.3	(21) .5	.3	
.2	.2	.2		.1	.2	.2	.3	.2	
6 62.9	6 58.0	4 92.4		2 171.1	8 48.3	2 198.4	4 100.4	7 54.8	
20 18.6	22 16.8	18 20.5	Sales/Receivables	14 26.9	22 16.9	18 20.7	33 11.0	26 13.9	
50 7.3	52 7.0	44 8.3		38 9.7	43 8.4	50 7.3	62 5.9	51 7.2	
183 2.0	183 2.0	203 1.8		215 1.7	192 1.9	126 2.9	159 2.3	203 1.8	
261 1.4	261 1.4	281 1.3	Cost of Sales/Inventory	304 1.2	281 1.3	228 1.6	228 1.6	215 1.7	
365 1.0	365 1.0	365 1.0		456 .8	332 1.1	304 1.2	281 1.3	365 1.0	
43 8.5	42 8.7	43 8.5		41 8.9	50 7.3	63 5.8	33 11.1	50 7.3	
79 4.6	74 4.9	70 5.2	Cost of Sales/Payables	70 5.2	76 4.8	91 4.0	49 7.4	65 5.6	
130 2.8	118 3.1	114 3.2		122 3.0	107 3.4	152 2.4	101 3.6	114 3.2	
2.5	2.5	2.4		2.1	2.5	3.7	3.5	3.1	
4.2	4.0	3.7	Sales/Working Capital	3.3	3.5	5.9	4.8	7.8	
8.1	7.5	6.9		5.4	5.8	11.1	8.4	11.4	
5.5	5.1	4.6		5.6	4.3	4.7	4.4	4.0	
(283) 2.6	(294) 2.3	(305) 2.1	EBIT/Interest	(146) 2.1	(91) 2.3	2.1	(20) 2.2	(19) 1.7	
1.4	1.2	1.2		1.0	1.3	1.3	1.6	1.1	
4.8	3.9	2.9	Net Profit + Depr., Dep.,	3.0	2.3	2.2	4.3	6.6	
(135) 1.8	(127) 1.6	(127) 1.2	Amort./Cur. Mat. L/T/D	(46) 1.2	(42) 1.1	(12) 1.3	(12) 1.1	(13) 3.1	
.8	.9	.4		-.0	.5	.8	.7	.7	
.1	.1	.1		.1	.1	.1	.1	.2	
.2	.2	.2	Fixed/Worth	.2	.2	.2	.3	.3	
.5	.5	.5		.5	.4	.7	.5	.7	
.8	.9	.8		.8	.6	1.2	1.2	.8	
1.7	1.9	1.5	Debt/Worth	1.6	1.2	2.4	1.9	1.6	
3.9	3.6	3.4		4.5	3.0	3.5	2.7	3.7	
28.7	29.0	24.3	% Profit Before Taxes/Tangible	28.7	20.0	16.4	27.0	16.9	
(320) 14.2	(304) 15.6	(313) 11.0	Net Worth	(153) 11.5	(90) 11.0	11.8	12.4	5.8	
4.7	3.9	2.3		1.0	2.7	6.5	5.4	-3.0	
11.2	11.1	8.9	% Profit Before Taxes/Total	11.8	8.0	5.7	9.7	4.6	
4.9	5.3	4.0	Assets	4.4	4.4	3.9	3.9	2.1	
1.1	1.0	.6		-.0	.7	1.9	2.1	-1.0	
65.4	61.1	70.1		86.3	61.9	82.0	51.3	18.7	
26.6	24.8	26.3	Sales/Net Fixed Assets	32.7	31.1	23.9	19.7	11.8	
13.4	12.4	12.2		13.1	15.5	12.2	12.7	8.3	
2.0	2.0	2.0		1.9	2.0	2.6	2.1	2.0	
1.6	1.6	1.6	Sales/Total Assets	1.5	1.7	2.0	1.7	1.7	
1.2	1.2	1.2		1.1	1.4	1.7	1.5	1.4	
.7	.7	.7		.7	.5	.7	.5	1.3	
(271) 1.3	(262) 1.3	(267) 1.2	% Depr., Dep., Amort./Sales	(117) 1.2	(83) 1.0	(21) 1.0	1.2	(19) 2.0	
2.1	2.0	1.8		1.9	1.5	1.4	2.2	2.6	
3.8	4.4	4.7	% Officers', Directors',	6.7	5.3	2.1	2.2		
(161) 6.5	(156) 7.1	(180) 7.6	Owners' Comp/Sales	(92) 9.1	(52) 6.4	(16) 3.5	(13) 3.4		
10.5	11.5	11.0		12.1	9.8	6.3	4.5		
1876451M	3036930M	1593533M	Net Sales ($)	78562M	165835M	85726M	168679M	322570M	772161M
990355M	1794559M	989039M	Total Assets ($)	62395M	106380M	44372M	102866M	201323M	471703M

M = $thousand MM = $million

See Pages 1 through 15 for Explanation of Ratios and Data

ZALE CORP. IN COMPARISON WITH ROBERT MORRIS

ASSET	INDUSTRY 1991	ZALE 1991	INDUSTRY 1990	ZALE 1990
Cash & Equiv.	6.6%	1.1%	6.3%	0.4%
Trade Receiv.	11.9	5.4	14.4	24.0
Inventory	66.7	34.6	63.8	30.9
All other CA	1.6	11.1	1.3	3.2
Total CA	86.7	5.2	85.8	58.5
Fixed Assets	9.2	13.6	9.3	10.8
Intangibles	0.7	11.9	1.1	9.9
All other NCA	3.3	22.3	3.8	20.8
Total Assets	100.0%	100.0%	100.0%	100.0%
LIABILITIES				
Notes/Pay ST	13.5%	12.1%	12.5%	18.2%
Cur. Mat. LTD	3.4	0.0	3.0	0.0
Trade Payables	19.6	11.9	20.5	13.1
Inc Tax Pay	0.7	0.0	0.6	0.0
All other CL	6.8	0.8	8.5	1.4
Total CL	43.9	24.8	45.1	32.7
LT Debt	13.4	53.5	12.7	48.7
Deferred Tax	0.1	0.0	0.3	0.0
All Other NCL	3.4	2.1	3.8	2.1
Net Worth	39.2	19.6	38.1	16.5
Total L & NW	100.0%	100.0%	100.0%	100.0%
INCOME STATEMENT				
Net Sales	100.0%	100.0%	100.0%	100.0%
Gross Profit	46.2	31.2	46.4	36.2
Oper. Expense	41.4	26.4	40.7	15.9
Oper. Profit	4.7	4.7	5.7	7.5
All other exp.	1.8	12.0	1.5	12.7
Profit Bef Tax	3.0	-22.8	4.2	3.3

RATIOS

APPENDIX P

	1991 INDUSTRY	1991 ZALE	1990 INDUSTRY	1990 ZALE
Current	3.1		2.9	
	2.0	2.1	1.9	1.8
	1.5		1.5	
Quick	0.8		0.8	
	0.4	0.3	0.4	0.7
	0.2		0.2	
Sales/	92.4		58.0	
Receivables	20.5	13.8	16.8	2.7
	8.3		7.0	
COGS/	1.8		2.0	
Inventory	1.3	1.5	1.4	1.3
	1.0		1.0	
COGS/	8.5		8.7	
Payables	5.2	2.1	4.9	1.4
	3.2		3.1	
Sales/	2.4		2.5	
Working Cap.	3.7	2.7	4.0	2.5
	6.9		7.5	
EBIT/	4.6		5.1	
Interest	2.1	0.5	2.3	1.2
	1.2		1.2	
Fixed/	0.1		0.1	
Worth	0.2	0.7	0.2	0.7
	0.5		0.5	
Debt/	0.8		0.9	
Worth	1.5	4.1	1.9	5.0
	3.4		3.6	
%Profit	24.3		29.0	
Before Tax/	11.0	-16.7	15.6	12.9
Tang. NW	2.3		3.9	
%Profit	8.9		11.1	
Before Tax/	4.0	-3.3	5.3	2.1
Tot.Assets	0.6		1.0	
Sales/	70.1		61.1	
Fixed Ass.	26.3	5.5	24.8	6.0
	12.2		12.4	
Sales/	2.0		2.0	
Total Ass.	1.6	0.7	1.6	0.6

VI. WORKS CITED

1. Annual Report- Zale Corp. (1991). Ball State University.

2. Annual Statement Studies (1991). Robert Morris and Associates. 566-567.

3. Beres, Glen A. (1992, January 1). Rough times ahead for Zale as banks tighten their hold. National Jeweler. pp. 1.

4. Beres, Glen A. (1992, January 16). Zale closing 400 stores, halts payments, realigns divs. National Jeweler. pp. 1-106.

5. Beres, Glen A. (1992, February 1). 316 businesses went under in 1991, trade report says. National Jeweler. pp. 28-30.

6. Beres, Glen A. (1992, February 1). Zale heads list of jewelers in tough spots. National Jeweler. pp. 1-159.

7. Boyle, Robert D. & Harsha B. Desai (1991, July). Turnaround strategies for small firms. Journal of Small Business Management. 29. 33-41.

8. Brenner, O. C., Pringle, Charles D. & Jeffrey H. Greenhaus. Perceived fulfillment of organizational employment versus entrepreneurship: work values and career intentions of business college graduates. Journal of Small Business Management. 29. 62-75.

9. Buchanan, Norma & Dayana Yochim. Surviving the '90's. Modern Jeweler. pp. 39-43.

10. Bureau of Business Research, Ball State University.

11. C.S.O. rough diamond sales down 6% (1991, October). Modern Jeweler. 162. 43.

12. The Diamond Registry Bulletin (1991, May 31).

13. Fuhrman, Peter. (1991, September 16). Harry Oppenheimer, african empire builder, is smiling again. Forbes. pp. 130-140.

14. Gaunt, Stephanie (1992, March 5). Personal Interview

15. Halloran, James W. (1991). Why Entrepreneurs Fail. Blue Ridge Summit, PA: Liberty Hall Press.

16. Hartmann, C. R. (1991, January/February). Love makes the cash register ring. D&B Reports. pp. 42-44.

17. Hodgetts, Richard M. & Donald F. Kuratko (1989). _Effective Small Business Management_ (3rd ed.). Orlando; Harcourt Brace Jovanovich.

18. Kassoy (1977). _Everything You've Always Wanted to Know About Diamonds._ (2nd ed.) New York: Kassoy Inc.

19. Mc Laughlin, Harold J. (1985). _Building Your Business Plan._ New York: John Wiley & Sons.

20. Poppell, Steven D. (1985). _Big Profits From Small Companies._ Mountain View, CA: Lomas Pulishing Co.

21. Resnick, Paul (1988). _The Small Business Bible._ New York, NY: John Wiley and Sons.

22. Rice, Craig S. (1990). _Strategic Planning for the Small Business._ Holbrook, MA; Bob Adams, Inc.

23. Rice, Faye (1989, November 20). Tiffany tries the cartier formula. _Fortune._ pp. 141-148.

24. Roman, Monica (1989, October 9). Fast break at Tiffany's. _Business Week_ [special ed.]. pp. 102-104.

25. Rubenstein, James M. (1991, August). 14 ways to increase your sales. _Business Marketing._ pp. 80.

26. Rubin, Richard (1991, July 16). Barry's misses bond payment. _National Jeweler._ pp. 4.

27. Shor, Russell (1991 October). De Beers closes rough road. _Jeweler's Circular Keystone._ pp. 68-70.

28. Shor, Russell (1991, June). Diamonds still rule despite high prices. _Jewelers Circular Keystone._ pp. 53-60.

29. Sielaff, Whitney (1991, October 1). De Beers' 14% profit drop in 1st half laid to gulf war. _National Jeweler._ pp. 2B.

30. Sielaff, Whitney (1991, October 1). Tiffany racks up impressive gains overseas. _National Jeweler._ pp. 4.

31. Sielaff, Whitney (1992, February 1). No hike seen as De Beer's sales slip 6%. _National Jeweler._ pp. 4.

32. Trachtenberg, Jeffrey A. (1989 February 6). Cocktails at Tiffany's. _Forbes._ pp.128-130.

33. Wallace, Don (1991 December). Ninja-Preneurs. *Success.* pp. 35-37.